

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – OCTOBER 8, 2003

PRESENT: Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; George Tsiopras, Chief Financial Officer; Al Picconi, United Beverages, Inc.; Michael Gocłowski, Law Warehouse.

EXCUSED: Chairman Anthony Maiola; Nicole Horton, Wine Marketing Specialist.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending October 5, 2003 shows retail sales were up about 8.2%, on-premise sales were down almost -2.7%, off-premise sales were up 11.8%, and total aggregate sales were up 7.26%. The traffic count increased by 3,882, while the average sales ticket increased by \$1.13.

The W-1 Total Weekly Sales Report confirms total sales increased by 7.26% or \$482,173 over the same week last year, while they were up 9.2% or \$8,898,225 for the year. Wine sales were up for the week by 9.16% or \$281,574, and were also up for the year by 9.85% or \$4,164,224. Sales of spirits were up 5.62% or \$200,599 on a week basis, and were also up year-to-date by 8.67% or \$4,734,201.

B. Budget Reports:

There was nothing of significance to report regarding depletions and post-offs and gift cards.

Craig will review the spreadsheet regarding workman's compensation with the Commission. He had the opportunity to meet with the human resources administrator at the Department of Transportation who has an excellent training program in place which has dramatically reduced claims. Craig will work with John Bunnell and Peter Engel to develop some concepts which would incorporate part of that program here.

Craig e-mailed to all pertinent parties an e-mail received from Jim Goldberg, counsel for the NABCA, regarding the bioterrorism response act. He is awaiting final guidelines, which the Commission will have to abide by,

and which will require some effort to do so. It is hoped that Howard Roundy will come back from the Administrators' Conference with further information. Howard expressed concerns over the amount of recordkeeping that this will require. Commissioner Byrne said he felt it was important for a representative from the Marketing Department to be there. Therefore, it was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve out-of-state travel, to be taken out of the budget, for John Bunnell, Administrator of Marketing & Sales, to attend the conference. The motion was unanimously adopted.

The Bureau Chiefs meeting will be held on Thursday, October 16 at 1:30 in the first floor conference room.

There was a meeting with Representative Majors yesterday to review revenue estimates through 2007. There were no changes made. However, George commented that \$2 million was not added to the revenue projections this fiscal year for the new Nashua location.

The current W-6 Expense Budget Activity Variance Report shows the year to be at about 27.1% completed, with total agency expenditures at 25.77% of the budget. Class 22 Rents and Leases and Class 24 Maintenance Other than Bldg. & Grounds are both high due to upfront contract encumbrances. The total for Class 50 Personal Services is slightly above where it should be at this time.

The American Express contract is on the Governor and Council agenda today. If approved, savings will begin to accrue immediately.

Work is being done on payroll information requested by Joe Bouchard of Administrative Services, and with the advertising agency on the Annual Report. George hopes the proofs will be done by the end of the week.

A member of the Governor's Efficiency Committee will be meeting with George and John Bunnell today relative to warehouse operations. A report on this meeting will be presented to the Commission.

2. IT Report

Directory problems seem to have been resolved, and everything is now properly replicating. There are still issues with the security patch, which seems to be constantly changing. It has come to the point where IT is seriously looking at new software to get the job done.

One of the main concerns at the moment is with credit card/debit card process. In addition to duplication problems, a new issue has arisen whereby transactions which are recorded at the Commission are missing at

Paymentech. IT is creating some new tools for Accounts Receivable to use to be able to detect duplications and missing transactions.

Work also continues to enable credit cards to be used in all processes. There are some upgrade issues regarding getting information to Law which need to be resolved. Craig asked for and received clarification from the Commission that they have approved the use of credit cards by all licensees.

The PALS payroll system is moving along fairly well and is improving with each day.

Web training for Marketing personnel is scheduled to begin next week.

Mike Goclawski said he has made a list of 90 licensees and what they buy in terms of restricted products. He explained how purchases made on the new web site would hurt those licensees on the old web site and that it might be necessary to cut these people off of the old site in order to protect the system. Howard cautioned that it was critical to move quickly so the changeover doesn't affect holiday orders. Information regarding the brokers and their allocations will be e-mailed to the Commission and John Bunnell.

Another major issue for IT will be finalizing the next round of equipment for the alternate site in Nashua, available storage here and laptops, and will most likely require Commission action to be sent to Governor and Council.

Commissioner Russell asked if there was any way movement could be increased for the temporary location in Keene. Verizon will be coming in next week, which is actually one-half the time it usually takes. The move is expected to take place the week of October 20th.

II. MARKETING & SALES REPORTS

1. Store Operations

Total retail stores for the week ending 10/5/03 were up 7.40% or \$380,023.91. There was nothing out of the ordinary to report regarding these figures.

Peter reported that Supervisor/Manager Michael Lafond is scheduled to return to work some time next week.

There has been a setback in the Brookline move relative to a requirement to provide public bathrooms. The landlord is currently working through this issue. This may push back the opening date for the store to October 27th. Brookline will be staffed with one Retail Store Clerk II and one Retail Manager II.

\$15,000 will be awarded to the winner from Connecticut of the Summer Splash promotion this afternoon at Store #34 in Salem.

2. Purchasing Report

Purchasing is working with a few companies to alleviate several out-of-stock situations. Further action may be taken if they are not resolved.

3. Marketing Report

A. SPIRITS:

1) Line Extension Requests:

a. Ketel One Vodka, 375ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Nolet Spirits USA for a size extension on Ketel One Vodka, 375ML size (assigned Code #3551), as this brand in both the 750ML and 1.75L sizes have exceeded their respective gross profits required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Bacardi Razz flavored rum, 1.75L:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Bacardi USA for a size extension on Bacardi Razz flavored rum, 1.75L size (assigned Code #4220), as this brand in the 750ML size has exceeded the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Remy Martin XO Cognac, 200ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Remy Amerique for a size extension on Remy Martin XO Cognac, 200ML size (assigned Code #4520), as this brand in the 750ML size has exceeded the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing

Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Hpnotiq Liqueur, 375ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Heaven Hill Distillers for a size extension on Hpnotiq Liqueur, 375ML size (assigned Code #5160), as this brand in the 750ML size has exceeded the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Added Thanksgiving Day Sale Items (4 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve four (4) additional items submitted by Horizon Beverage Company to be featured on sale during the Thanksgiving Day Sale, scheduled for Thursday, November 20 through Sunday, November 30, 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) November Special Offer (1 item – Horizon Beverage Co.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from Horizon Beverage Company, based upon depletions of one (1) spirit item, to be featured on sale during November 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) One Time Buy (Kahlua Especial, 50ML):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/Allied Domecq of a special purchase on Kahlua Especial, 50ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Single Malt Scotch Program:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/

White Rock Distributors to conduct a Bowmore Single Malt Scotch program featuring seven (7) 750ML size single malt scotches, including case displays in eleven (11) top retail stores, to take place from November 15, 2003 through January 4, 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) November/December 2003 Sweepstakes:

a. Bacardi Holiday, Classic Cordials and House of Dewars:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Bacardi USA to conduct Bacardi Holiday, Classic Cordials and House of Dewars sweepstakes during November and December 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Black Velvet:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Barton Brands to conduct a Black Velvet Sweepstakes during November and December 2003, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Brown-Forman Multi Brand:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Brown-Forman Spirits America to conduct a Brown-Forman Multi Brand Sweepstakes during January, February and March 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Revised December Special Offers (tabled from 10/1/03, Item #A-4-a):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission remove from the table and approve revised special offers from Perfecta Wine Company, based upon special purchase allowances of three (3) spirit items, to be featured on sale during December 2003, as

recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Hampshire State Liquor Commission Wine Tasting:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a wine tasting to be held at the Junior Service League of Concord on April 22, 2004 from 6:00 to 8:00 p.m., as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Recommended Wine Specialty Products (27 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twenty-seven (27) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

3) Recommended Allocated & Restricted Wines for Distribution to Selected Stores (4 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the distribution of four (4) allocated and restricted wines to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

4) Primary Source Submissions (5 items – exclusive agent; 22 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of five (5) wine codes which are not from primary source, but are offered by the exclusive marketing agent and twenty-two (22) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

Aidan said that he would be circulating a draft of the new training program which will be going out to store managers. Training right now will focus on Title XIII. Commissioner Byrne felt that there has been a problem in the past with the way this

law has been communicated to and interpreted by store employees. He advised to be careful of human nature and the assumption of power. Aidan said that he has asked store managers how to strike a balance in this issue. Two live training programs will be conducted on Tuesday, October 28 and Thursday, October 30th.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that Commission approve all previously reviewed requests for bailment releases/transfers dated October 2 through October 8, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items: None.

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford